

TILLAR WATER AND SEWER SYSTEM
FINANCIAL STATEMENTS
December 31, 2024

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SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Tillar Water and Sewer System

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Tillar Water and Sewer System, (the "Organization"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the statement of revenues, expenses and changes in net position, and cash flows of the Organization as of and for the year then ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
January 15, 2026

**TILLAR WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION**

December 31, 2024

	2024
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 171,418
Accounts receivable (net)	283,642
Total current assets	455,060
 <u>Restricted cash and investments</u>	
Meter deposits	8,590
Debt reserve funds	160,274
Total restricted cash and investments	168,864
Fixed assets, net of accumulated depreciation	2,250,766
Total assets	\$ 2,874,690
 <u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 273,377
Current portion of bonds payable	2,619
Total current liabilities	275,996
 <u>Long term liabilities</u>	
Bonds payable, net of current amount	958,293
Customer deposits	8,590
Total long term liabilities	966,883
 <u>Net position</u>	
Invested in capital assets, net of related debt	1,289,854
Unrestricted	341,957
Total net position	1,631,811
Total liabilities and net position	\$ 2,874,690

The accompanying notes are an integral part of the financial statements.

TILLAR WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2024

	Water	Sewer	Total
<u>Operating revenues</u>			
Water sales	\$ 62,354	\$ 51,426	\$ 113,780
Other operating revenue	19,947	-	19,947
Total operating revenue	<u>82,301</u>	<u>51,426</u>	<u>133,727</u>
<u>Operating expenses</u>			
Salaries	2,619	1,662	4,281
Payroll Taxes	200	127	327
Depreciation	9,742	-	9,742
Utilities	7,373	2,220	9,593
Auto Expense	1,638	155	1,793
Reparis and Maintenance	5,089	1,282	6,371
Dues and Subscriptions	1,313	-	1,313
Operating Supplies	10,145	3,870	14,015
Fees	4,531	-	4,531
Professional Fees	2,500	2,500	5,000
Office Supplies	3,006	96	3,102
Telephone	-	60	60
License & Permits	1,466	-	1,466
Contract Labor	18,270	12,180	30,450
Total operating expenses	<u>67,892</u>	<u>24,152</u>	<u>92,044</u>
Net operating income / (loss)	14,409	27,274	41,683
<u>Other revenue / (expenses)</u>			
Interest income			468
Grant revenue			1,161,165
Interest expense			(5,261)
Total other revenue / (expenses)			<u>1,156,372</u>
<u>Net increase/(decrease) in net position</u>			<u>\$ 1,198,055</u>
Beginning net position			433,756
Ending net position			<u>\$ 1,631,811</u>

The accompanying notes are an integral part of the financial statements.

TILLAR WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

	2024
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ (137,283)
Payments for salaries and benefits	(4,608)
Payments for operating and administrative expenses	192,964
Net cash provided by (used for) operating activities	51,073
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(2,030,475)
Interest income	468
Net cash provided by (used for) investing activities	(2,030,007)
<u>Cash flows from financing activities</u>	
Proceeds from debt issuance	869,310
Proceeds from grant revenue	1,161,165
Principal payments on debt	(2,513)
Interest payments	(5,261)
Change in customer deposits	(425)
Net cash provided by (used for) financing activities	2,022,276
<u>Change in cash and cash equivalents</u>	43,342
<u>Cash and cash equivalents, beginning of year</u>	296,940
<u>Cash and cash equivalents, end of year</u>	\$ 340,282
<u>Cash and cash equivalents</u>	171,418
<u>Restricted cash and cash equivalents</u>	168,864
	\$ 340,282

The accompanying notes are an integral part of the financial statements.

TILLAR WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2024

	<u>2024</u>
<u>Reconciliation of operating income to</u> <u>net cash from operating activities:</u>	
Operating income (loss)	\$ 41,683
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	9,742
Changes in assets and liabilities:	
Accounts receivable	(271,010)
Accounts payable	270,658
Total adjustments	<u>9,390</u>
Net cash provided by (used for) operating activities	<u>\$ 51,073</u>

The accompanying notes are an integral part of the financial statements.

TILLAR WATER AND SEWER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Tillar Water and Sewer System, (the “Organization”), is a component unit of the Town of Tillar, Arkansas. The Organization is governed by the City Council. The Organization provides water and sewer services to the Town of Tillar and certain surrounding areas. The City Council approves the rate changes of the Organization’s services. The debt of the Organization is maintained in the name of the Town of Tillar.

B. Fund Type

The Organization is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Organization. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Organization.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Organization applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

D. Use of Estimate

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TILLAR WATER AND SEWER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024

NOTE 1 (continued)

E. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, and money market accounts are considered to be cash and cash equivalents.

Accounts Receivable

Account receivables relate to water service billings and are shown net of an allowance for doubtful accounts. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit and deposits can be offset against the receivable for delinquent billings or returned to the customer when the account is closed.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$5,000.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

TILLAR WATER AND SEWER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024

NOTE 1 (continued)

F. Date of Management’s Review

The Organization evaluated its December 31, 2024 financial statements for subsequent events through January 15, 2026, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it.

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2024.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions’ trust Organization in the Organization’s name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust Organization or agent in the Organization’s name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization’s bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 340,270	\$ 340,270	\$ -	\$ -
Total	\$ 340,270	\$ 340,270	\$ -	\$ -

The amounts shown are bank ledger balances of the referenced bank’s deposits and may differ from the Organization’s general ledger balances. It is the Organization’s policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

TILLAR WATER AND SEWER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024

NOTE 3 – CHANGES IN FIXED ASSETS

	Balance December 31, 2023	Transfers	Additions	Disposals	Balance December 31, 2024
Water system	\$ 374,925	\$ -	\$ -	\$ -	\$ 374,925
Construction in progress	-	-	2,030,475	-	2,030,475
	<u>374,925</u>	<u>-</u>	<u>2,030,475</u>	<u>-</u>	<u>2,405,400</u>
Accumulated depreciation	<u>(144,892)</u>	<u>-</u>	<u>(9,742)</u>	<u>-</u>	<u>(154,634)</u>
	<u>\$ 230,033</u>	<u>\$ -</u>	<u>\$ 2,020,733</u>	<u>\$ -</u>	<u>\$ 2,250,766</u>

NOTE 4 – LONG-TERM DEBT

2024 ADFA bond debt

In 2024, the Organization issued \$869,310 in Revenue bonds in order to finance the construction of improvements to the wastewater treatment facility. The interest rate per annum is 0.75% and the service fee per annum is 1.00%. The proceeds of were used to pay bond issuance costs, engineering fees, and construction costs. System revenues and assets are pledged. The Organization is required to establish rates sufficient to pay the ongoing operation and maintenance of the water system, and monthly deposits into a depreciation account of 5% of gross monthly revenue from the preceding month until a total of \$86,931 has accumulated for expected future costs of replacement and repairs to the system.

The Organization was in compliance with all debt covenants for the year ended December 31, 2024.

2007 USDA bond debt

In 2007, the Organization issued \$122,600 in Revenue bonds in order to finance the construction of improvements. The United States Department of Agriculture (“USDA”) simultaneously purchased the bond and issued a 40-year note. The interest rate on the note payable is 4.125%. The proceeds of were used to pay bond issuance costs, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the ongoing operation and maintenance of the water system, monthly deposits into a debt service account of \$529 a month until a total of \$69,500 has accumulated for the expected future costs of replacement and repairs to the system.

The Organization was in compliance with all debt covenants for the year ended December 31, 2024.

TILLAR WATER AND SEWER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024

NOTE 4 (continued)

The following is a summary of changes in long-term debt payable:

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024	Amounts Due Within One Year
2007 USDA Bond Payable	\$ 94,115	\$ -	\$ (2,513)	\$ 91,602	\$ 2,619
2024 ADFA Bond Payable	-	869,310	-	869,310	-
Bonds payable, total	\$ 94,115	\$ 869,310	\$ (2,513)	\$ 960,912	\$ 2,619

Total principal and interest maturities of the Organization's long-term debt are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 2,619	\$ 18,942	\$ 21,561
2026	2,729	18,832	21,561
2027	30,253	14,755	45,008
2028	40,072	17,822	57,894
2029	40,852	17,043	57,895
2030-2034	216,549	72,922	289,471
2035-2039	238,737	50,734	289,471
2040-2044	263,501	25,969	289,470
2045-2049	125,600	2,847	128,447
2050-2054	-	-	-
Thereafter	-	-	-
	<u>\$960,912</u>	<u>\$239,866</u>	<u>\$1,200,778</u>

NOTE 5 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 6 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Organization from the financial statements which are required by GAAP.

SUPPLEMENTARY INFORMATION

TILLAR WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2024

	<u>2024</u>
<u>Plant operations and distributions</u>	
Salaries, wages, and benefits	\$ 3,425
Payroll taxes	262
Repairs and maintenance	8,164
Utilities	9,653
License, permits, fees	2,779
Operating supplies	14,173
Other expenses	<u>5,430</u>
Total plant operations and distributions	43,885
<u>General and administrative</u>	
Salaries, wages, and benefits	856
Payroll taxes	65
Office supplies	2,045
Contract Labor	29,250
Professional fees	<u>6,200</u>
Total general and administrative	38,417
<u>Depreciation</u>	<u>9,742</u>
Total operating expenses	<u><u>\$ 92,044</u></u>

See independent auditor's report.

TILLAR WATER AND SEWER SYSTEM
SCHEDULE OF SYSTEM INFORMATION
For the Year Ended December 31, 2024

Number of Water Users	140
Number of Sewer Users	140
Annual billable gallons of water	17,351,600
Date of last rate study:	1-Jan-24
Next required date:	1-Jan-29
Met the Board/Council training requirements:	Yes
<u>Debt Service Coverage Ratio (1.05 minimum required)</u>	
Net Income (loss)	\$ 1,198,055
Add: Depreciation	9,742
Add: Interest expense	5,261
Subtract: Interest income	(468)
Subtract: Non operating income	<u>(1,161,165)</u>
Total	\$ 51,425
Divided by next year principal & interest	<u>21,561</u>
Debt service coverage ratio	<u>\$ 2.39</u>
<u>Free Cash Flow Determination</u>	
Total unrestricted cash	\$ 171,418
One twelfth of total expenses	<u>(7,670)</u>
Excess / (deficient) cash	<u>\$ 163,748</u>

See independent auditor's report.

TILLAR WATER AND SEWER SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Accrued (Deferred)</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred)</u>
U.S. Department of Treasury					
<u>Direct Award</u>					
Coronavirus State and Local Fiscal Recovery Funds - ARPA	21.027	\$ -	\$ 891,139	\$ 1,161,165	\$ 270,026
Total Federal Awards		<u>\$ -</u>	<u>\$ 891,139</u>	<u>\$ 1,161,165</u>	<u>\$ 270,026</u>

See independent auditor's report.

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Tillar Water and Sewer System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tillar Water and Sewer System, (the "Organization"), which comprise the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
January 15, 2026

TILLAR WATER AND SEWER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024

None Identified

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANT’S REPORT ON REPORT ON COMPLIANCE FOR THE U.S.
DEPARTMENT OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS
PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE
EXAMINATION ENGAGEMENT**

To the Board of Directors of the
Tillar Water and Sewer System

We have examined the Town of Tillar, Arkansas’s, (the “Organization”), compliance with the compliance requirements “activities allowed or unallowed” and “allowable cost/cost principles” (the specified requirements) as described in Part IV “Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds” of the CSLFRF section of the 2021 OMB *Compliance Supplement* (referred to herein as “Requirements for an Alternative CSLFRF Compliance Examination Engagement”) during the year ended December 31, 2024. Management of the Organization is responsible for the Organization compliance with the specified requirements. Our responsibility is to express an opinion on the Organization compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the “Requirements for an Alternative CSLFRF Compliance Examination Engagement.” Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the Organization complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Organization complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Organization’s compliance with specified requirements.

In our opinion, the Organization complied, in all material respects, with the specified requirements referenced above during the year ended December 31, 2024.

Other Reporting Required by *Government Auditing Standards*

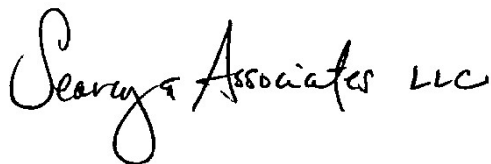
In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and

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noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the Organization's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the Organization's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the Organization complied, in all material respects with the specified requirements referenced above during the year ended December 31, 2024. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Seavoy & Associates LLC". The signature is written in a cursive, flowing style.

Monticello, Arkansas
January 15, 2026